

Message Text

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ORIGIN L-03

INFO OCT-01 EUR-25 IO-14 ISO-00 SSO-00 NSCE-00 INRE-00

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CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

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TO AMEMBASSY PRAGUE IMMEDIATE

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C O N F I D E N T I A L STATE 140412

GENEVA FOR AMBASSADOR SHERER

E.O. 11652: GDS

TAGS: PFOR, EFIN, L/C, CZ, US

SUBJ: GOLD ASPECT OF CLAIMS NEGOTIATIONS

REFS: PRAGUE 1516, 1523

1. IN LIGHT OF PRAGUE 1523 WE HAVE NO OBJECTION TO POST-
PONING DETAILED TREATMENT OF PROCEDURES FOR TRANSFER OF
GOLD AND AUTHORIZE YOU INITIAL AGREEMENT AS PROPOSED IN
PARA 6 OF PRAGUE 1516.

2. FOLLOWING ARE SUGGESTED PROCEDURES FOR HANDLING GOLD
PROBLEM FOR YOUR DISCUSSION WITH CZECHS.

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3. SURPRISED CZECHS DID NOT INDICATE PREVIOUSLY THEYCON-

SIDERED IT NECESSARY TO CLUE IN PRESENT US ARRANGEMENTS WITH BRITISH AGREEMENT. AS WE SEE PICTURE IT IS EASY ENOUGH IF CZECHS AGREEABLE FOR SIMPLE CHANGE TO BE MADE IN BRITISH AGREEMENT (TEXT OF BRITISH AGREEMENT SET FORTH IN A-191, DECEMBER 11, 1964 FROM PRAGUE) TO TRIGGER ACTIONS ON RECEIPT OF DELIVERY ORDERS IN BRUSSELS. THIS COULD BE DONE BY SIMPLE AMENDMENTS EFFECTUATED BY EXCHANGE OF NOTES BETWEEN BRITISH AND CZECHS. THUS, PARAGRAPH A OF AGREED MINUTE COULD BE ALTERED TO SUBSTITUTE FOR "TRANSFER TO THE ACCOUNT OF THE CZECHOSLOVAK GOVERNMENT AT THE SWISS BANK CORPORATION" THE PHRASE "RECEIPT OF DELIVERY ORDERS AT

BRUSSELS." SIMILARLY, PARAGRAPH C COULD BE MODIFIED BY SUBSTITUTION FOR THE PHRASE "TRANSFER TO THE ACCOUNT OF THE CZECHOSLOVAK GOVERNMENT OF THE MONETARY GOLD" THE PHRASE "RECEIPT OF THE DELIVERY ORDERS FOR THE MONETARY GOLD BY THE CZECHOSLOVAK GOVERNMENT." WE ARE SURE THE BRITISH WOULD ACCEPT THESE MODIFICATIONS WITH ALACRITY SINCE THEY PROVIDE FOR A SIMPLER PROCEDURE AND SINCE THEY ONLY GEARED THEIR AGREEMENT TO A ZURICH DELIVERY BECAUSE OF OUR PROCEDURES. (THIS PARAGRAPH DRAFTED BEFORE RECEIPT PRAGUE 1523. MAY BE STILL WORTH TAKING UP, BUT LEAVE THAT TO YOUR DISCRETION.)

4. HOWEVER, THE CZECHS MAY IN FACT BE DISTRUSTFUL OF ACCEPTING DELIVERY IN NEW YORK AND LONDON AND MAY ONLY BE WILLING TO ACCEPT DELIVERY IN A NEUTRAL COUNTRY SUCH AS SWITZERLAND. IN THIS EVENT THE FOLLOWING TWO PROCEDURES MAY BE FOLLOWED.

5. FIRST, WE CAN PUT BACK ON THE RAILS THE PROCEDURE CONTEMPLATED IN 1964. THIS INVOLVED THE CONCURRENCE OF THE FRENCH AND BRITISH IN PRE-POSITIONING THE GOLD IN THE SWISS BANK CORPORATION IN ZURICH AND IN OPENING A GOLD ACCOUNT IN THAT BANK IN THE NAME OF THE THREE GOVERNMENTS. IT ALSO WOULD INVOLVE ARRANGEMENTS WITH THE SWISS BANK CORPORATION FOR IT TO ACT AS ESCROW AGENT AND TRANSMISSION TO THE SWISS BANK CORPORATION OF LETTERS OF AUTHORITY FROM THE US AND CZECH GOVERNMENTS SETTING FORTH THE PROCEDURES THE SWISS BANK CORPORATION SHOULD FOLLOW. CONFIDENTIAL

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IT IS CLEAR TIME IS NEEDED TO GET THE 1964 PROCEDURE BACK ON THE TRACK.

6. ANOTHER PROCEDURE PROVIDING FOR TRANSFER OF GOLD IN ZURICH CAN BE BUILT ON ANNEX A SUPPLIED BY MAURER TO KWIATEK. THIS WOULD INVOLVE MODIFICATIONS OF ANNEX A WHICH WOULD PROVIDE FOR THE PRE-POSITIONING OF THE GOLD IN THE SWISS BANK CORPORATION AND DELIVERY IN BRUSSELS

OF A DELIVERY ORDER ON THE SWISS BANK CORPORATION. THE CHANGES WOULD BE AS FOLLOWS:

A. IN PARA 1, CHANGE THE PHRASE "TWO BANKS WHERE GOLD IS BEING HELD" TO THE PHRASE "SWISS BANK WHERE THE GOLD WILL HAVE BEEN PRE-POSITIONED AT THE EXPENSE OF THE CZECHOSLOVAK GOVERNMENT."

B. CHANGE "DELIVERY ORDERS" TO "DELIVERY ORDER" IN THE FOLLOWING PLACES: PARA 1, THREE TIMES, PARA 2, ONE TIME, PARA 3, THREE TIMES, PARA 4, ONE TIME.

C. CHANGE "ORIGINALS" TO "ORIGINAL" IN PARA 3.

D. CHANGE "THEM" TO "IT" PARA 1.

E. CHANGE "TWO BANKS" TO "BANK" IN PARA 4.

7. THE PROCEDURE IN PRECEDING PARAGRAPH NEEDS ONLY THE CONCURRENCE OF THE BRITISH AND CZECH FOR THE PRE-POSITIONING OF THE GOLD IN THE SWISS BANK CORPORATION. IN 1964 BOTH GOVERNMENTS WERE AGREEABLE TO THIS PRE-POSITIONING AND IT SHOULD BE SIMPLE TO CONFIRM THEIR CONCURRENCE. YOU WILL, "THE BRITISH AGREED MINUTE IN FACT ENVISAGED PRE-POSITIONING AT ZURICH. IF THE BRITISH AND FRENCH CONCURRENCE IS OBTAINED, AND IF THE CZECHS ARE AGREEABLE, ANNEX A CAN BE ALTERED IN THE MANNER INDICATED IN THE PRECEDING PARAGRAPH.

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